

March 3, 2010

LaVerne Washington
President, Confidential Employees' Organization, AFSCME, Local No. 101
c/o City Attorney's Office
200 East Santa Clara Street
San Jose, CA 95113

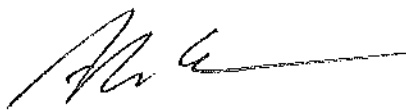
Dear LaVerne:

As you know, the City is facing significant budget challenges in the upcoming fiscal year, with the most current estimated general fund shortfall estimate now at approximately \$116 million. It is during challenges such as these that we especially appreciate the collaborative relationship that we have with CEO because it allows us to work together to find solutions. We are exploring many avenues to cut costs with the goal of minimizing as much as possible the need for layoffs of City employees.

As part of our efforts to look at every possible means of savings, one area to explore is our payroll costs, and we would like to request an opportunity to discuss this issue with you. We acknowledge that pursuant to Article 4.5 of the current CEO MOA you are under no obligation to reopen the MOA. However, we would greatly appreciate an opportunity to discuss this topic with you further. If you are willing to meet with us, we would offer you our assurance that any discussions would in no way be construed as an agreement by CEO to reopen the current contract, unless and until CEO decides to do so.

Given the urgent nature of our fiscal situation, we would appreciate being able to meet with you as soon as possible. Thank you in advance for your prompt response.

Sincerely,



Alex Gurza
Director of Employee Relations

cc: Debra Figone, City Manager
Linda Dittes, Business Agent